



**STATE BOARD OF EQUALIZATION  
STAFF LEGISLATIVE BILL ANALYSIS**

Date Introduced:	<b>2/28/01</b>	Bill No:	<b>SB 1184</b>
Tax:	<b>Property</b>	Author:	<b>Senate Revenue and Taxation Committee</b>
Board Position:	<b>§63.1 – Neutral §170 – Support §257 – Support, if amended §425 – Neutral §532 – Support §606 – Support</b>	Related Bills:	<b>SB 1181 (SR&amp;T)</b>

**BILL SUMMARY**

This bill contains California Assessors' Association sponsored provisions to:

- Eliminate the need for the transferor to sign the parent-child change in ownership exclusion claim form and also require only one transferee to sign the form. (§63.1)
- Extend from six months to one year the time period to file a claim for reassessment after a disaster. (§170)
- Change the date from June 30 to February 15 when the assessor must be notified if property receiving the religious exemption no longer qualifies. (§257)
- Limit the number of years that the Department of Finance or the Department of Conservation can audit assessors' Williamson Act subvention claims. (§425)
- Extend the number of tax years subject to escape assessment when a penalty for willful concealment of tangible personal property is applied, from six years to eight. (§532)
- Modify requirements where contiguous tracts of land under the same ownership need not be separately assessed when they cross tax rate areas. (§606)

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.*

**ANALYSIS****Parent-Child Change In Ownership Exclusion - Signatures***Revenue and Taxation Code § 63.1***Current Law**

Section 2, subdivision (h), of Article XIII A of the California Constitution provides that the terms "purchased" and "change in ownership" do not include the purchase or transfer of the principal residence of the transferor in the case of a purchase or transfer between parents and their children (or grandparents and grandchildren), as defined by the Legislature. Those terms also do not include the purchase or transfer of the first \$1,000,000 of the full cash value of all other real property between parents and their children, as defined by the Legislature.

The Legislature adopted Revenue and Taxation Code Section 63.1 to prescribe the terms and conditions under which the parent-child change in ownership exclusion may be granted. Relevant to this bill, Section 63.1 precludes the exclusion unless the taxpayer files a claim form with the assessor. Current law requires that all the transferors and all the transferees sign the claim form. In many cases, the transferor is deceased and the executor must instead sign the form. Additionally, all the transferees (most often the children) must sign the form. For instance, if property was transferred from a mother upon her death to her four children, all four children must sign the claim form. If one child did not file the claim form, then 25% of the property would be reappraised to current market value. Additionally, a signature must be sought from a legal representative of the mother or the executor of her estate.

**Proposed Law**

This bill would eliminate the need for the transferor to sign the claim form. Instead one of the transferees would attest to the parent-child relationship. Additionally, only one of the transferees need sign the claim form.

**Comments**

This provision is intended to eliminate delays in processing parent-child change in ownership exclusions due to the signature requirements. It would also help those taxpayers where a signature cannot be easily obtained.

An unintended consequence of eliminating the transferor signature is that a parent with more than one million dollars of property to transfer would lose the ability to direct which property or which child received the property tax benefit.

The Board is also sponsoring provisions contained in SB 1181 (SR&T) which would amend the same section of law to specify that the parent-child change in ownership exclusion applies to manufactured homes, and allow taxpayers who have previously received the exclusion to rescind their claim.

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## **Disaster Relief**

### *Revenue and Taxation Code § 170*

#### **Current Law**

Under existing law, property taxes may be reduced following a disaster, misfortune, or calamity in those counties where the board of supervisors has adopted an ordinance authorizing the disaster relief provisions of Section 170 of the Revenue and Taxation Code. Disaster relief is provided by allowing the county assessor, under specified conditions, to reassess the property after the lien date to recognize the loss in a property's market value. The prior assessed value of the damaged property is reduced in proportion to the loss in market value; the new reduced value is used to calculate a pro-rata reduction in taxes. The affected property retains its lower value, with reduced taxes, until it is restored, repaired, or reconstructed. To receive the disaster relief, the property owner must file an application with the county assessor within 60 days of the date of the disaster to initiate reassessment.

Alternatively, if the owner does not file an application and the assessor determines that within the preceding 6 months the property had suffered damage caused by misfortune or calamity that may qualify the property owner for relief, the assessor may send an application to the property owner which restarts a new filing period. The taxpayer may file within 30 days of the date the application is sent by the assessor (but in no case more than 6 months after the date of the disaster). In some cases the assessor may reassess the damaged property even though the owner did not file an application, but only with the approval of the board of supervisors.

#### **Proposed Law**

**Claim Filing Period.** For non-assessor initiated reassessments, this bill would extend the period for taxpayers to file an application for reassessment after a disaster from 6 months to 12 months.

#### **Comments**

Many disaster victims may be unaware that property tax assessments can be reduced after a disaster and filing a claim for property tax relief may be of low priority. This bill would give disaster victims additional time to file an application for reassessment.

Although not yet contained in a bill, the Board voted to sponsor legislation to also amend Section 170 to revise the property tax disaster relief provisions to: 1) permit assessor initiated reductions generally, 2) give taxpayers more time to file a claim, 3) give taxpayers more time to file an appeal, and 4) increase the eligibility threshold level to \$10,000.

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**Religious Exemption Claims***Revenue and Taxation Code §257***Current Law**

Under existing law, Revenue and Taxation Code 257 requires the assessor to send each year before January 1, a notice to taxpayers receiving the religious exemption that must be returned by June 30 indicating that there have been no changes, in order for the taxpayer to retain the exemption.

**Proposed Law**

This bill would move up the date to return the notice from June 30 to February 15.

**Comments**

Since the lien date change from March 1 to January 1, most filing deadlines for exemptions have been moved forward and changed to February 15 for uniformity. However, the date to return the notice for the religious exemption has not been changed. According to the sponsors, the existing June 30 date seems unreasonably long and does not allow timely adjustments to the assessment roll if the property is no longer eligible for the exemption.

**Note.** Section 254.5 also requires a postcard to be returned to the assessor for purposes of the welfare exemption. That return date is March 15<sup>th</sup>. For uniformity, either the welfare exemption provision should also be changed to February 15<sup>th</sup> or the religious exemption postcard return date should be changed to March 15<sup>th</sup>.

**Williamson Act Subvention Audits***Revenue and Taxation Code §425***Current Law**

Under current law, counties are partially reimbursed for revenue losses related to property under the Williamson Act. Five dollars per acre is subvended for prime land and one dollar per acre is subvended for non-prime land. The Department of Finance and the Department of Conservation audit counties' subvention claims. Currently there is no standard or limit to the number of years subject to audit.

**Proposed Law**

This bill would limit county subvention claim audits to the last four years.

**Comments**

While the intent of this of this bill is to limit the number of years open to audit, the actual language in the bill appears to relate to a taxpayer's assessment rather than the state's audit findings of the county's subvention claims.

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**Escape Assessments – Tangible Personal Property**

*Revenue and Taxation Code § 532*

**Current Law**

Revenue and Taxation Code Section 504 requires a 25% penalty to be added to escape assessments made under Section 502. This section relates to escape assessments where the person willfully conceals, fails to disclose, removes, transfers or misrepresents *tangible personal property* to evade taxation. Under current law, the number of prior tax years that taxes will be billed in this instance is generally six, whereas the number of prior tax years that will be billed when a change in ownership of real property is unrecorded is generally eight.

**Proposed Law**

This bill would increase from six years to eight the number of prior tax years that will be billed when a 25% penalty for willful concealment of personal property is levied.

**Comments**

The sponsors do not believe that the number of escape assessments levied for willful concealment of personal property should be less than that applied when a change in ownership of real property is unrecorded, which most often occurs with interfamily transfers due to a death and often is the result of ignorance rather than a willful act.

**Contiguous Parcels**

*Revenue and Taxation Code §606*

**Current Law**

Under existing law, when any tract of land is situated in two or more revenue districts, the part in each district must be separately assessed. However, when the owner of two or more contiguous parcels comprising the land tract is identical, the parcels may be combined into one assessment under two circumstances:

1. The full value of any parcel is less than five thousand dollars (\$5,000), in which case that parcel may be combined with the contiguous parcel with the greatest assessed valuation.
2. The tract of land is being used for a single-family residence and constitutes 15,000 square feet or less, in which case the smallest parcel may be combined with the largest contiguous parcel.

**Proposed Law**

This bill would amend Revenue and Taxation Code 606 to increase the exceptions to 1) land values of less than \$25,000 and 2) land used for single family residences with a size of 45,000 square feet or less.

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### Comments

This bill would reduce the number of assessments for small strips of property that must be established because the land crosses tax rate areas. According to the sponsors, with more special assessments and special taxes levied per parcel, property owners want to combine these contiguous parcels to eliminate these fixed parcel charges.

### COST ESTIMATE:

The Board would incur some minor, absorbable costs in informing and advising county assessors, the public, and staff of the change in law.

### REVENUE ESTIMATE:

The change in the statute of limitations for escape assessments would have some minimal revenue impact. According to assessors, the current six-year period is rarely evoked because of the difficulty of establishing "willful intent." The other provisions of this measure would also have a minimal revenue impact.

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Analysis prepared by:	Rose Marie Kinnee	445-6777	4/9/01
Contact:	Margaret S. Shedd	322-2376	

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